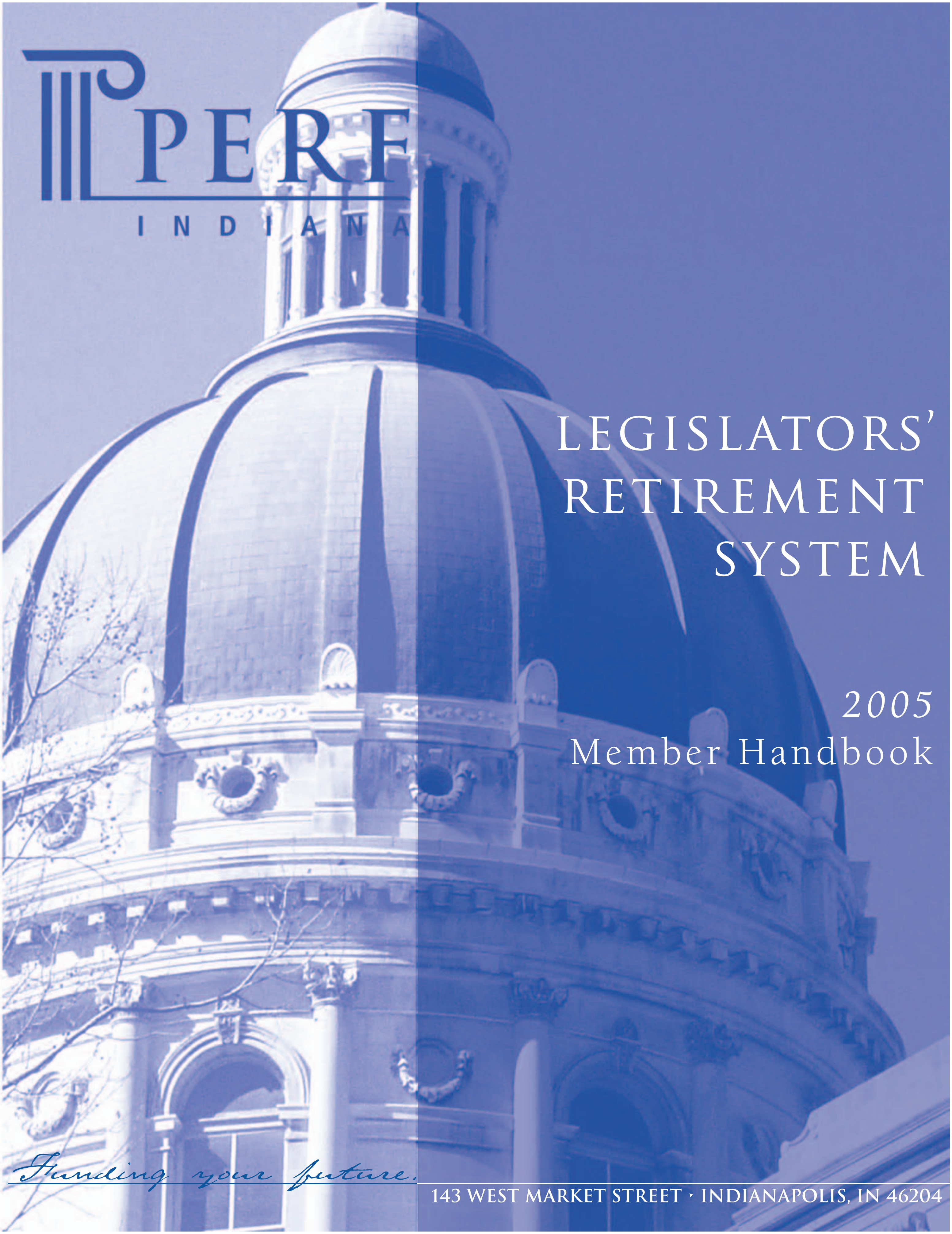

PERF
INDIANA

LEGISLATORS' RETIREMENT SYSTEM

2005 Member Handbook

Funding your future.

143 WEST MARKET STREET · INDIANAPOLIS, IN 46204

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LEGISLATORS' RETIREMENT SYSTEM

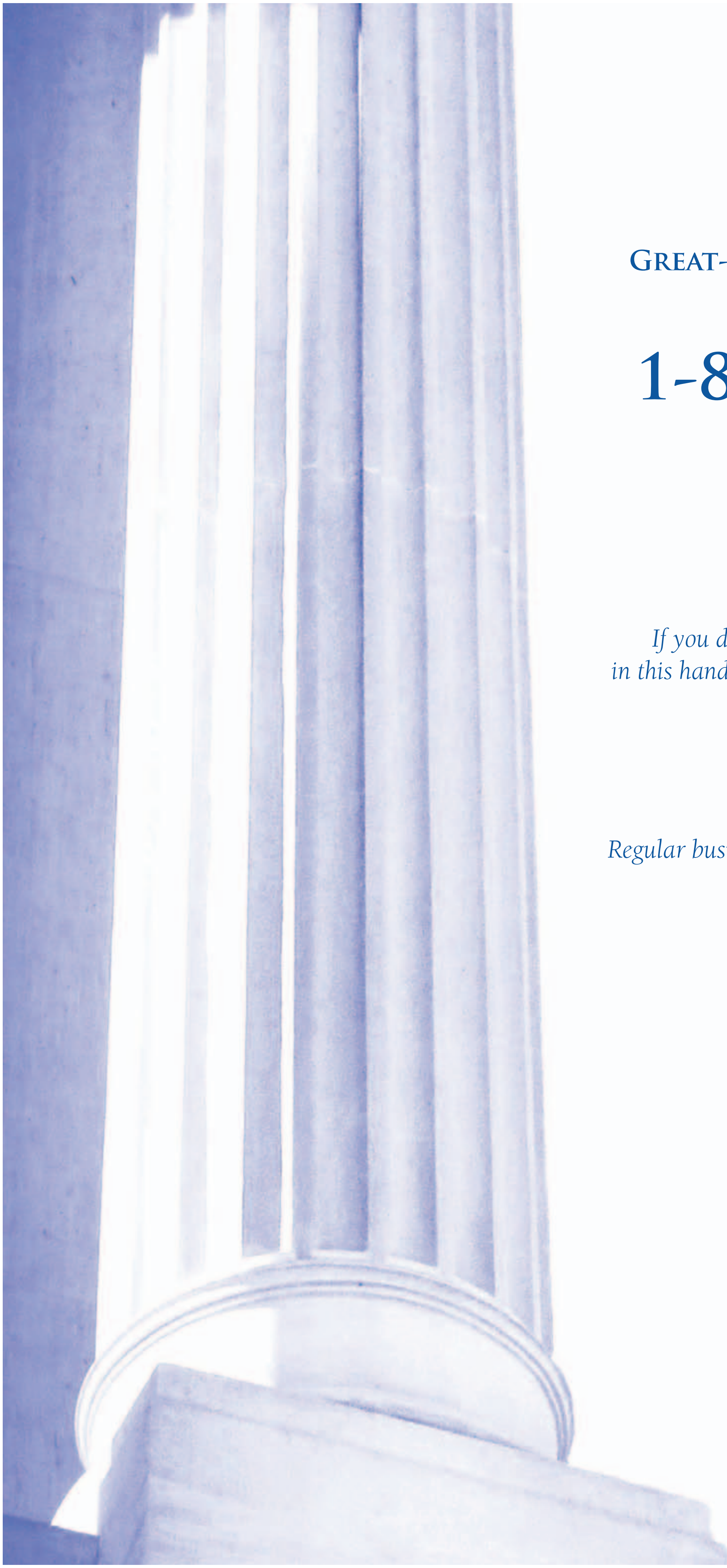
2005
Member Handbook

Mitch Daniels
Governor

David J. Adams
Executive Director

Acknowledgement

Special thanks to the members of the PERF staff, whose contributions made this handbook possible.



For questions regarding your investments, call Great-West Retirement Services toll-free number:

1-800-701-8255

Or visit this website:

WWW.PERFLDC.COM

If you do not find the answers to your questions in this handbook or on the web, you can contact the ***PERF Call Center:***

1-888-526-1687

Regular business hours are Monday through Friday, 8:00 a.m. to 5:00 p.m.

Mailing Address:

143 West Market Street
Indianapolis, IN 46204

Web Address:

www.perf.in.gov

Fax Number:

(317) 232-1614

Introduction

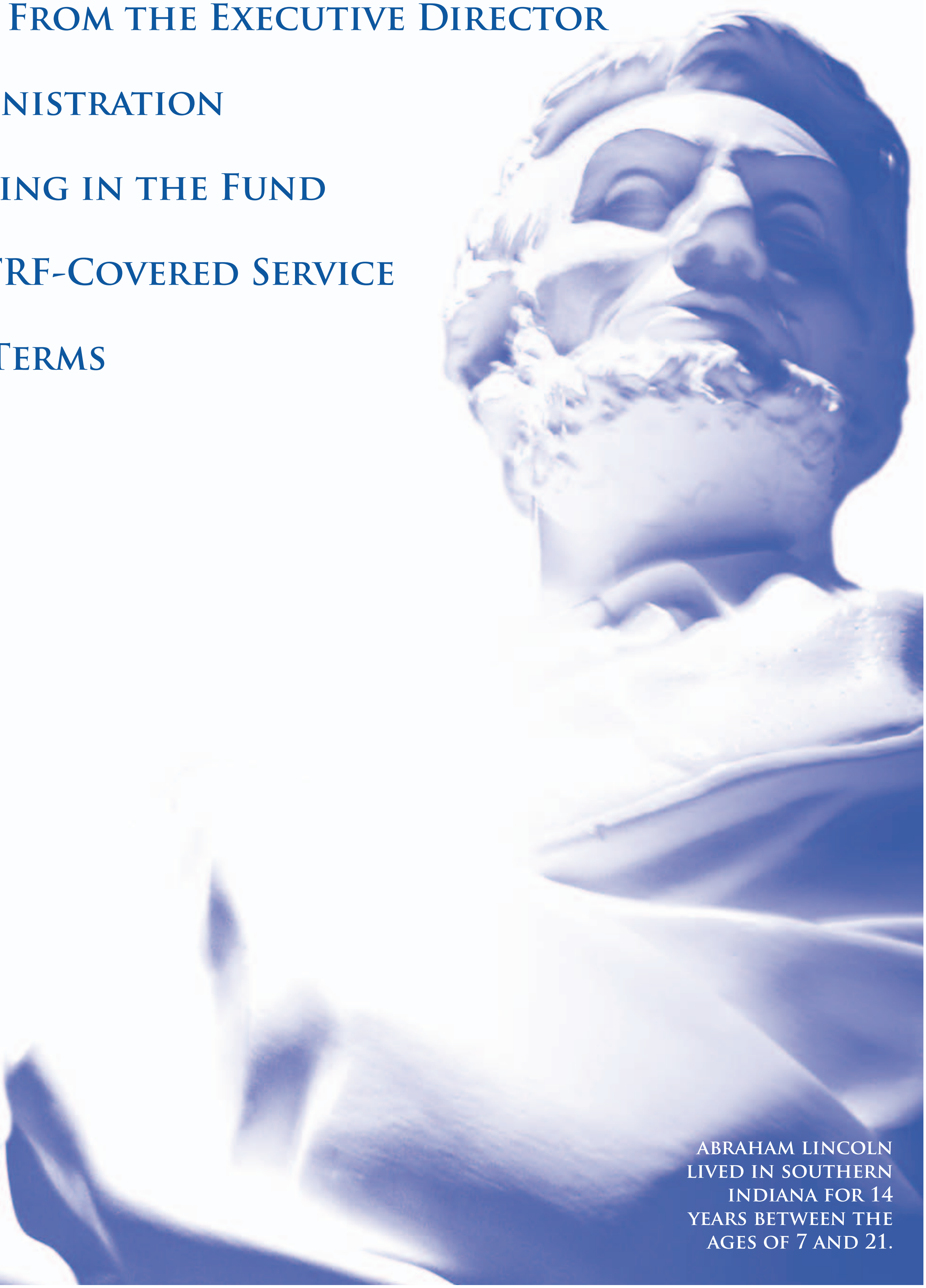
A Message From the Executive Director

PERF Administration

Participating in the Fund

PERF- or TRF-Covered Service

Common Terms



Abraham Lincoln lived in southern Indiana for 14 years between the ages of 7 and 21.

A Message From The Executive Director

Dear Member,

The Public Employees' Retirement Fund is proud to present the 2005 Legislators' Retirement System (LRS) Member Handbook.

This publication summarizes your rights and benefits of membership under the LRS. We hope you find it informative and thorough in its explanation of fund provisions. You will learn the opportunities and responsibilities of membership in the plan, options available to you during your career in public service, and your benefits when you leave service in the Indiana General Assembly.

We encourage you to read this handbook completely in order to fully understand the overall benefits structure of the Legislators' Retirement System. We are also excited to inform you of our partnership with Great-West Retirement Services[SM] in offering you greater online access to your individual account information 24 hours a day, 365 days a year at **www.PERFLDC.com**. This service will supplement the statements you receive quarterly.

With your Personal Identification Number and a user name, you can use the Great-West website to change your investment choices, beneficiaries and family information online, as well as review updated contribution information on the web.

PERF employs the finest investment managers in the world to invest member and employer assets. We continue to administer your six investment options.

- ***Consolidated Retirement Investment Fund***
- ***Money Market Fund***
- ***Bond Fund***
- ***S&P 500 Stock Index Fund***
- ***U.S. Small Companies Stock Fund***
- ***International Equity Index Fund***

We appreciate the support of the Indiana General Assembly in our pursuit to provide world-class customer service to our employers, members and their families.

Sincerely,

David J. Adams
PERF Executive Director

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Martha Poitevin Page
Publications Specialist

PERF Administration

Founded in 1945, the Public Employees' Retirement Fund (PERF) is one of the largest retirement systems in the United States—both public and private. The Legislators' Retirement System (LRS) is one of the six retirement plans administered by PERF, including the:

- ***PUBLIC EMPLOYEES' RETIREMENT FUND***
- ***1977 AND 1985 JUDGES' RETIREMENT SYSTEM***
- ***STATE EXCISE POLICE, GAMING AGENT, AND CONSERVATION OFFICERS' RETIREMENT PLAN***
- ***1977 POLICE OFFICERS' AND FIREFIGHTERS' PENSION AND DISABILITY FUND***
- ***PROSECUTING ATTORNEYS' RETIREMENT FUND***
- ***LEGISLATORS' RETIREMENT SYSTEM***

The retirement system is governed by a five-member Board of Trustees, and each member is appointed by the governor to a four-year term.

Board members serve as the ultimate fiduciaries of the retirement system. Fiduciaries are legally bound to make decisions with plan participants' best interests at heart. PERF employs outside money management firms to manage the assets of the system. More information on PERF's investment practices is available at the Fund's website:

www.perf.in.gov.

While every attempt has been made to verify that all the information in this handbook is correct and up-to-date, PERF does not make any representation or warranty as to the completeness or accuracy of any information provided herein. The content of this handbook does not constitute legal advice, and nothing herein should be considered a legal opinion. In the event of a discrepancy between information in this handbook and the laws of the state of Indiana, the applicable law shall apply.

The laws and regulations governing the Legislators' Retirement System may be found in I.C. 2-3.5 of the Indiana Code.

Participating in the Fund

The Legislators' Retirement System (LRS) was designed especially for your needs as a state legislator. Prior to the creation of the LRS in 1989, state legislators participated in the general PERF retirement plan. If your service in the General Assembly was completed before April 30, 1989, you will continue as a member of PERF and will not participate in the LRS.

Within the Legislators' Retirement System is a Defined Benefit Plan and a Defined Contribution Plan. Section One of this handbook defines the provisions of the Defined Contribution Plan and Section Two explains the Defined Benefit Plan. Your participation in one or both of these plans depends on when you served in the Indiana General Assembly.

1

If you completed your service in the General Assembly BEFORE April 30, 1989

As a member of the General Assembly who completed service before April 30, 1989, you were a member of the PERF plan.

2

If you were serving in the General Assembly ON April 30, 1989

As a member of the General Assembly serving on April 30, 1989, you had the option of continuing as a member of PERF or joining both the Defined Benefit Plan and the Defined Contribution Plans of the Legislators' Retirement System. If you chose to remain a member of PERF, please refer to the PERF Member Handbook.

3

If you began serving in the General Assembly AFTER April 30, 1989

As a member of the General Assembly who began service after April 30, 1989, you are entitled to be covered under the Defined Contribution Plan. Participants in this plan include both those who are new to the General Assembly and those who served before April 30, 1989 (but terminated prior to that date), and returned to service after April 30, 1989.

Common Terms

Please review the following words and their definitions to navigate this handbook with ease.

Defined Contribution

Contributions to the ***defined contribution plan*** are based on a pre-determined level. The balance of your account at retirement under a defined contribution plan is based solely on the pre-determined contributions and the investment performance of those contributions, which is reflected in the amount of money accumulated in an employee's account at retirement. Since most defined contribution plans are based on the performance of investment options directed by the member, members bear all of the investment risk in this type of plan.

Defined Benefit

A defined benefit plan is one in which the benefits are first "defined" by law and the employer contributions needed to provide these benefits are then determined by an actuary. Retirement benefits under a defined benefit plan are typically determined by a formula, usually based on the number of years of service and salary of the member. Since benefits are ultimately provided from employer contributions and their investment earnings, employers bear most of the investment risk in this type of plan.

Contributions

Funds paid in to the Legislators' Retirement System by legislators and the State of Indiana.

Service

This includes each period of continuous employment in the General Assembly. Creditable service is important in determining your qualification for benefits in PERF and the LRS Defined Benefit Plan.

Salary

Income earned including the business per diem and subsistence allowances treated as compensation for federal income tax purposes, without regard to contributions made on a pre-tax basis to a 457 plan or a cafeteria plan under section 125 of the Internal Revenue Code.

Vesting

The minimum amount of time you must work in one or more covered positions to receive a benefit from the Defined Benefit Plan. This only applies to members serving in the General Assembly on April 30, 1989.

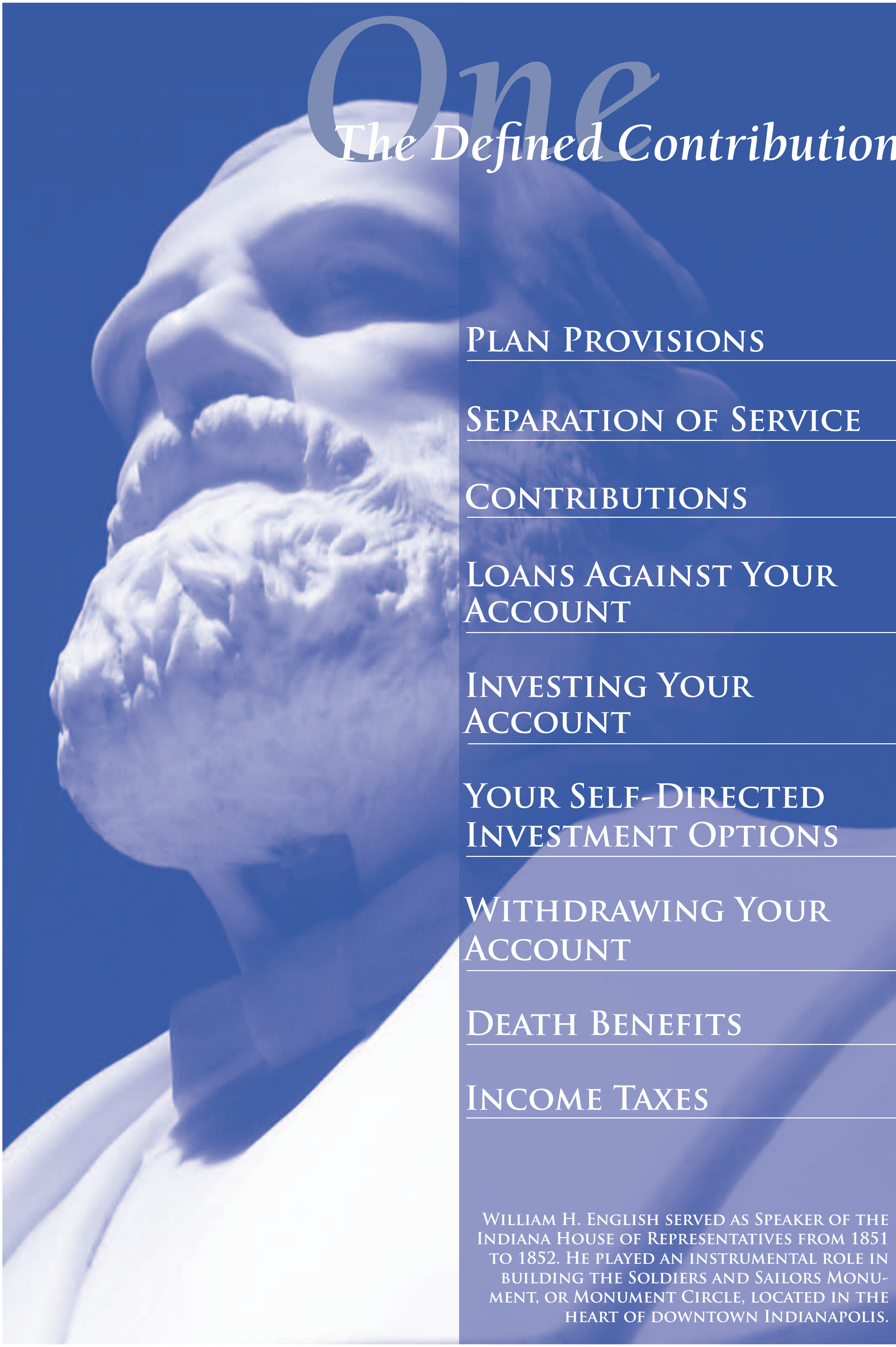
Table of Contents

One
The Defined Contribution Plan

One The Defined Contribution Plan, cont.

Two The Defined Benefit Plan

One
The Defined Contribution Plan



William H. English served as Speaker of the Indiana House of Representatives from 1851 to 1852. He played an instrumental role in building the Soldiers and Sailors Monument, or Monument Circle, located in the heart of downtown Indianapolis.

Members of the General Assembly who began service after April 30, 1989, or who were serving on this date and elected to participate, participate in the Defined Contribution Plan. This retirement savings program bases benefits on pre-determined employee and employer contributions and the investment performance of those contributions. The plan offers flexibility and convenience, giving you the opportunity to tailor your account based on your personal financial needs. It allows you to guide and monitor the investment direction of your funds on a daily basis. This section explains the basic components of the Defined Contribution Plan.

Plan Provisions

Eligibility

The Defined Contribution Plan applies to legislators who began service after April 30, 1989, or who were in service on this date and elected to leave the PERF plan and participate in this new plan. The Defined Contribution Plan is financed by contributions made by you, as a member, and your employer, the State of Indiana.

Enrollment

Legislators should enroll in the Defined Contribution Plan as soon as they begin serving in the General Assembly. To do so, obtain an participant enrollment form from your payroll department or get one on the web at **www.perfldc.com**. Deliver your enrollment form to your payroll administrator. Participants in the plan are encouraged to apply for membership as quickly as possible.

Separation of Service

You are entitled to withdraw your account at any time following your separation of service, but your age at distribution and the payment option you choose will have certain tax consequences. These options are discussed later in this section. The amount available for withdrawal upon separation of service from the General Assembly is the market value of your account.

IC 2-3.5-2-10: The salary used to compute contributions to the Defined Contribution Plan consists of both the salary and the business per diem and subsistence allowances treated as compensation for federal income tax purposes, without regard to contributions made on a pre-tax basis to a 457 plan or a cafeteria plan under section 125 of the Internal Revenue Code.

Contributions

As a member of the Defined Contribution Plan, you and your employer are required by statute to contribute a specified amount to your LRS account.

Employee Contributions

You must contribute five percent (5%) of your salary for your service after June 30, 1989. The Auditor of State deducts employee contributions from each salary payment. Contributions will be credited to the Fund on the June 30 following their deduction.

Employer Contributions

In addition to the five percent (5%) employee contribution, the state also makes a contribution on your behalf each pay period. This employer contribution equals twenty percent (20%) of your annual salary in that year for service after June 30, 1989. Employer contributions are made on June 30 of each year.

Rollover Contributions

To the extent permitted by the Internal Revenue Code and the applicable regulations, the Fund may accept, on behalf of any active member, a rollover distribution from any of the following:

- ***A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code,***

- ***Any annuity contract or account described in Section 403(b) of the Internal Revenue Code,***

- ***An eligible plan that is maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code, or***

- ***An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.***

Transferring Contributions—PERF/TRF Service

On July 1 following the date you become a member of the Defined Contribution Plan, you may elect to transfer the amount in your PERF or Teachers' Retirement Fund (TRF) annuity savings account to the Defined Contribution Plan. This amount will then be credited to your account. However, once you transfer this amount, it cannot be returned to your old PERF or TRF account at a later date.

Loans Against Your Account

Any participant in the Defined Contribution Plan may apply for a loan against his or her account. The provisions of the Plan include minimum and maximum limits on loan amounts. Contact the PERF Call Center at 1-888-526-1687 for more information.

Loans against your account are subject to default provisions.

If your employment ends and you have an outstanding loan from the Plan, your member account balance will be reduced by the outstanding loan balance.

Investing Your Account

PERF offers you the choice to direct the investment of your LRS Defined Contribution Account across a number of diversified investment options. Investing for retirement is one of the most important decisions you will ever make. This process must be given careful consideration and reviewed periodically. Three fundamental concepts should be taken into account when making your investment decisions:

1 ***Diversification***

Diversification is an investment strategy that seeks to reduce risk by distributing assets over a variety of investments. While this cannot guarantee earnings, it reduces the risk of loss because a variety of investments will not typically move in the same direction at the same rate at the same time. A diversified retirement plan reduces volatility over longer periods of time.

2 ***Risk Tolerance***

Risk tolerance refers to your ability to tolerate the dips and peaks of a particular investment portfolio. When evaluating your investment options, it is important to decide how much volatility you can afford to risk over short and long-term investments. Riskier investments may yield higher returns, but they may also have a tendency to rise and fall sharply over a certain period. You should have a thorough understanding of what your particular risk tolerance is before you choose an investment.

3 ***Time Horizon***

Time horizon is simply the length of time before you need to access your money. Before you make an investment, you should ask yourself how long you intend to invest. Risk tolerance connects directly to time horizon. A person nearing retirement has a shorter time horizon than someone who is farther from retirement; therefore, the older investor may have a lower risk tolerance than the younger investor because the older investor has a shorter time horizon to endure sharp fluctuations in the market. The younger investor may accept greater risk since they have more time to weather the fluctuations of riskier investments.

Your Self-directed Investment Options

The plan allows you to actively manage your member account through self-directed investments. You decide how to allocate the funds in your account across six investment options described below:

Consolidated Retirement Investment Fund (CRIF)

The Consolidated Retirement Investment Fund (CRIF) is the default investment option of the Legislators' Retirement System. Prior to 1997, PERF was prohibited from investing in equities. Once that prohibition was lifted, the CRIF was created to allow all the retirement plans administered by the PERF Board of Trustees to participate and share in the returns of equity investment. CRIF investments include all asset classes employed by the PERF Board in the management of the retirement portfolio.

Money Market Fund

This fund aims to provide a capital preserving investment with a stable rate of return. The investments in this fund are typically high quality fixed income securities. The maximum weighted average maturity is 90 days. The investment return generally comes from interest earned by the securities and not from a change in their market value.

Bond Fund

This fund aims to provide exposure to the overall domestic bond and debt market, seeking to replicate the return of the Lehman Brothers Aggregate Bond Index. The bond fund invests in fixed income securities, such as U.S. Treasury bonds, corporate bonds or mortgage-backed bonds. These investments are limited to well-rated or "investment grade" securities with credit ratings from independent rating agencies. The investment return generally comes from the interest earned by the securities and the changes in the market value of the securities. Changes in the market value of a bond are primarily due to changes in interest rates.

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Although we seek to preserve the value of your investment, it is possible to lose money by investing in these options. For questions about your investments, call Great-West Retirement Services toll-free at 1-800-701-8255 or visit their website at www.perfldc.com.

S&P 500 Stock Index Fund

This fund seeks to track the return of the S&P 500 Index by investing in stocks that make up the index. The S&P 500 Index is a large capitalization index for the US stock market. It is comprised of a sample of US companies in leading industries and accounts for more than 75% of the market value of all publicly traded stocks in the US.

U.S. Small Companies Stock Fund

This fund has the investment goal of long-term growth of capital. It provides the ability to invest in securities of smaller US companies. It is an active strategy managed against Russell 2000 Value Index. As an actively managed fund, returns may vary from the underlying index. The investment return comes almost exclusively from the change in the market value of the securities because smaller companies generally do not consistently pay dividends.

International Equity Index Fund

This fund provides a broad exposure to foreign equity markets of companies based outside the United States. It seeks to match the return of the Morgan Stanley Capital International (MSCI) Europe Australasia Far East (EAFE) Index by investing in stocks included in the index. The index is comprised of approximately 1000 foreign stocks representing established companies in developed countries across Western Europe and the Pacific Rim. Investing in foreign markets may offer additional diversification benefits to an investment portfolio.

Withdrawing Your Account

The Defined Contribution Plan's member account balance may be withdrawn at any time following separation of service in the General Assembly. The payment option you choose and your age at distribution will have specific tax consequences. For your convenience, PERF offers several flexible payment options. You may select only one of the five options. ***Please note that Choice A and Choice B involve the total balance of your account, while Choices C, D, and E allow you to choose separate directions for the disbursement of taxable and non-taxable funds based on your personal preferences.***

Choice A: ***Purchase of an Annuity with the Total Balance of Your Account***

Using the entire balance of your account, the Legislators' Retirement System will purchase an annuity on your behalf from an outside vendor. Terms and conditions may vary depending on the provider and the type of annuity selected. The provider may have additional forms to complete in the purchase process.

Choice B: ***Monthly Installments of Your Total Account Balance***

The Legislators' Retirement System will pay you ***the entire balance of your account*** in equal monthly installments of one hundred twenty (120) or one hundred eighty (180) payments. You must elect the number of payments at the time of application. This selection cannot be changed. No additional interest or earnings will be credited.

Choice C: ***Complete Distribution of Your Account Based on Tax Preferences***

The entire balance of your account will be distributed ***according to the options you choose for taxable and non-taxable funds.*** You may make only one selection for each part, taxable and non-taxable. ***(See table below.)***

Choice D: ***Partial Distribution and an Annuity***

Part of your account will be paid to you according to the options you choose and the balance will be used to purchase an annuity, subject to the same terms and conditions in Choice A. The amount paid to you must be in the same proportion as the taxable and non-taxable funds in your account. For example, if your account balance includes 60% taxable funds and 40% non-taxable funds and you elect to withdraw $1,000, the lump sum paid to you will consist of $600 in taxable income and $400 in non-taxable income. ***(See table below.)***

Choice E: ***Monthly Installments***

Your account will be distributed in monthly installments over sixty (60), one-hundred and twenty (120) and one-hundred and eighty (180) months. You may select only one option for each part. ***(See table below.)***

Distribution Options for Payment Choices C, D and E

Taxable Portion	Non-taxable Portion
Direct Rollover	*Direct Rollover*
Paid Directly to Me (Less Withholding)	*Paid Directly to Me*
Partial Rollover	*Partial Rollover*

Death Benefits

Your account—consisting of employee contributions, employer contributions, and investment earnings or losses—will be paid to your designated beneficiary or beneficiaries if you die either while a member of the General Assembly or after terminating service without having withdrawn your account from the Fund. The amount disbursed will be the fair market value of your account upon the date of distribution. This amount would also include employee contributions deducted and employer contributions made since the last day contributions were reported. If there is no beneficiary, or if the beneficiary does not survive you, the account will be paid to:

- ***Your surviving spouse;***
- ***Your surviving dependent(s), if there is no surviving spouse; or,***
- ***Your estate, if there is no surviving spouse or child.***

Payment Options for a Spouse

Upon your death, your spouse will have four choices for withdrawing funds from your account. ***Only one option may be selected from the following:***

The Legislators' Retirement System will purchase an annuity on behalf of your spouse from an outside vendor. Terms and conditions of this annuity may vary depending on the provider and the type of annuity selected. In the purchase process, the provider may have additional forms to be completed.	**Choice A:** ***Purchase of an Annuity with the Total Balance of Your Account***
The entire balance of your account will be distributed according to the selections your spouse makes. Different options may be chosen for the taxable and non-taxable portions of your account. However, your spouse may make only one selection for each portion of the account.	**Choice B:** ***Complete Distribution of Account***
Part of your account will be paid to your spouse according to the selections he or she makes, and the balance will be used to purchase an annuity, subject to the same terms and conditions in Choice A. The amount paid to you must be in the same proportion as the taxable and non-taxable funds in your account. For example, if your account has a balance of $1,000 with a 60% taxable portion and 40% non-taxable portion and your spouse elects to withdraw it in a lump sum, the amount paid to your spouse will consist of $600 in taxable funds and $400 in non-taxable funds.	**Choice C:** ***Partial Distribution and an Annuity***
Your beneficiary may elect a sixty (60) month installment distribution of your account balance paid directly to him/her or to your estate. No additional interest or earnings will be credited.	**Choice D:** ***Monthly Installments Over 60 Months***

Payment Options for a Non-Spousal Beneficiary

CHOICE A: *Total Distribution*	***The total amount of the Defined Contribution Account, less any withholding for state and federal taxes, will be paid directly to your beneficiary or to your estate.***
CHOICE B: *Purchase of an Annuity*	***The Legislators' Retirement System will purchase an annuity on behalf of your beneficiary from an outside vendor.*** Terms and conditions of this annuity may vary depending on the provider and the type of annuity selected. In the purchase process, the provider may have additional forms to be completed. ***This option is not available for beneficiary payments to an estate.***
CHOICE C: *Partial Distribution and an Annuity*	***Part of your account will be paid to your beneficiary and the balance will be used to purchase an annuity, subject to the same terms and conditions as in Choice B. This option is not available if the beneficiary is the estate of the member.*** The amount paid to your beneficiary out of your account will be in the same proportion of taxable and non-taxable funds as the balance in your account. For example, if your account has a balance of $1,000 with a 60% taxable portion and 40% non-taxable portion and your beneficiary elects to withdraw the lump sum, the amount paid to your beneficiary will consist of $600 in taxable funds and $400 in non-taxable funds.
CHOICE D: *Monthly Installments Over 60 Months*	***Your beneficiary may elect a sixty (60) month installment distribution of your account balance paid directly to him/her or to your estate.*** No additional interest or earnings will be credited.

INCOME TAXES

Federal Tax Provisions

Withdrawal options are subject to mandatory provisions of federal tax law regarding required beginning date and minimum required distributions, as follows:

- ***When you reach age $70^{1/2}$ or retire, whichever is later, a certain portion of your account cannot be rolled over because it is a required minimum payment that must be paid to you.***

- ***If you choose to have a payment paid directly to you and any portion of your payment is eligible to be rolled over, you will receive only 80% of the taxable amount of the payment. LRS is required to send the IRS 20% to be credited against your taxes for the year in which you receive the payment. However, if you decide to roll that payment into a traditional IRA or an eligible employer plan within 60 days of receiving your payment, it will not be taxed until you withdraw the funds from the respective plan.***

- ***If you decide to have your payment paid directly to you before age $59^{1/2}$, you may also have to pay an additional 10% early withdrawal penalty.*** Generally, the additional 10% tax does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55; (2) payments that are paid because you retire due to disability; (3) payments that are paid as equal (or almost equal) payments over your life expectancy (or your and your beneficiary's life expectancies); (4) payments that are paid directly to the government to satisfy a federal tax levy; or (5) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

- ***You will receive special tax treatment if you were born before January 1, 1936.*** As previously mentioned, if you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the plan that is payable to you after you have reached age $59^{1/2}$ or because you have separated from service with your employer. For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.	*Ten-Year Averaging*
If you receive a lump sum distribution and you were born before January 1, 1936, you may be able to elect to have part of your payment taxed as long-term capital gain at a rate of 20%. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.	*Capital Gain Treatment*

There are other limits on the special tax treatment for lump sum distributions. Please see IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

Special Tax Notice Regarding Rollovers

A rollover is a payment of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. If you choose a direct rollover, your payment will not be taxed in the current year and no income tax will be withheld. Your payment cannot be rolled over to a Roth IRA, a simple IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

Please note that an eligible employer plan is not legally required to accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA, or split your rollover amount between the employer plan in which you will participate and a traditional IRA.
Be sure to check with the administrator of the plan that is to receive your rollover prior to making the rollover.

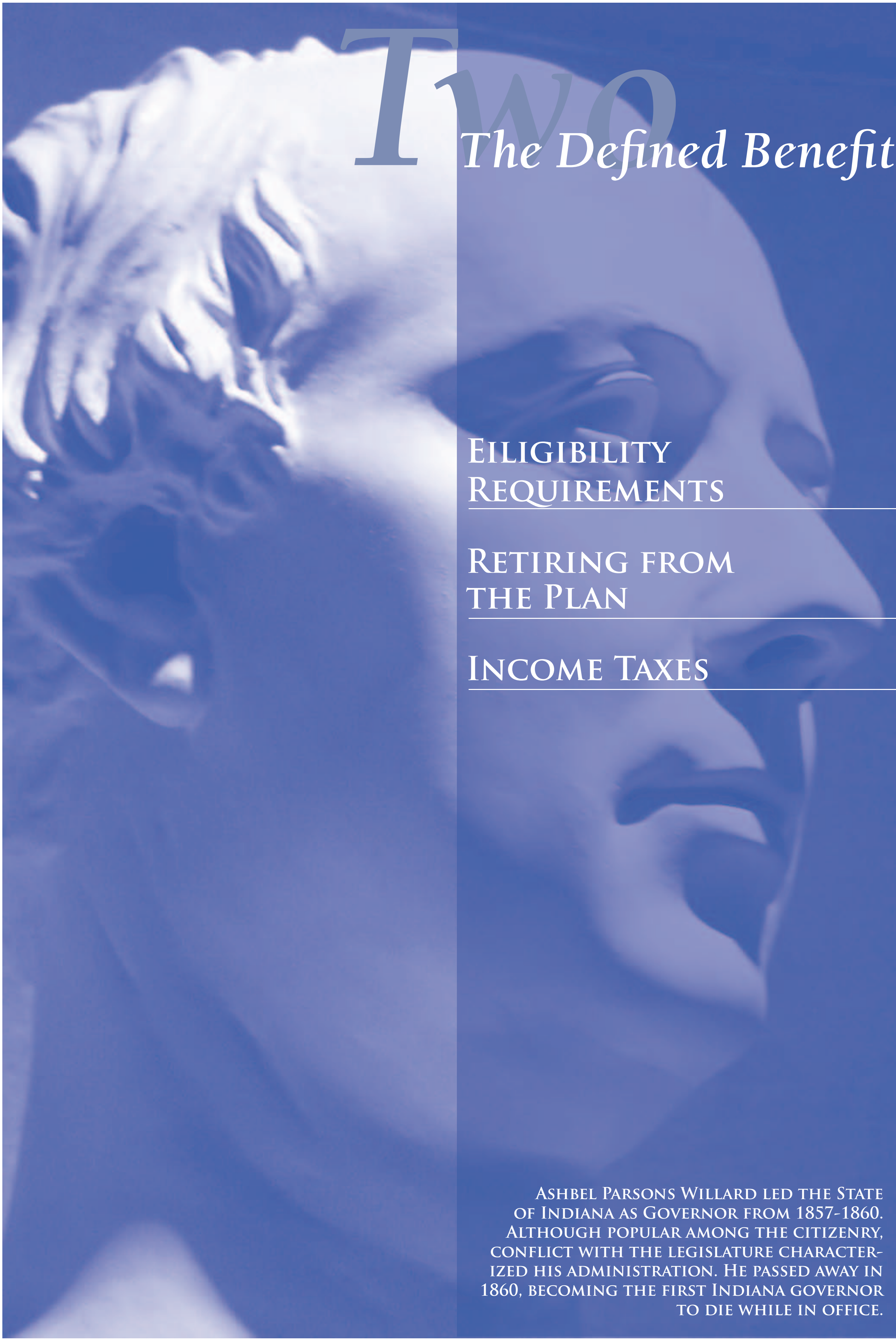
Obtaining Additional Information

The tax consequences described above are complex and contain many conditions and exceptions that are not included in this notice. There are also state and local tax rules that might apply to your payment. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from the Legislators' Retirement System.

These publications are available from your local IRS office, on the IRS Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS

More detailed tax information is included in the LRS Application for Withdrawal of Contributions. ***Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements.***

Notes



Two

The Defined Benefit Plan

Ashbel Parsons Willard led the State of Indiana as Governor from 1857-1860. Although popular among the citizenry, conflict with the legislature characterized his administration. He passed away in 1860, becoming the first Indiana governor to die while in office.

!

It is critical that you keep PERF informed of any changes to your personal information. To update your name or address, please contact our Call Center at 1-888-526-1687 and a Customer Service Representative will send you the appropriate form. The Call Center is open Monday through Friday from 8 a.m. to 5 p.m.

The Defined Benefit Plan guarantees a lifetime monthly benefit to employees who meet eligibility requirements. This plan applies only to legislators who were members of the General Assembly on April 30, 1989, and chose to participate. Employer contributions and their investment earnings fund the Defined Benefit Plan. The following section explains your rights and responsibilities as a member of this plan.

Eligibility Requirements

Vested Status

In order to retire from the Defined Benefit Plan, members must achieve vested status, or the ten (10) or more years that you must serve in the General Assembly to receive a monthly retirement benefit.

Normal Retirement With Unreduced Benefits

In order to receive full retirement benefits, members may not receive compensation from the state for work in any capacity, and may not receive or may not have previously received a reduced monthly benefit under this plan. Those of you who meet the eligibility requirements are entitled to a lifetime monthly retirement benefit if you have terminated service as a member of the General Assembly and:

1. ***Are at least age sixty-five (65) and have ten (10) years or more of creditable service as a member of the General Assembly (or meet the requirements for disability benefits under this plan); or***
2. ***Are at least age sixty (60) and have at least fifteen (15) years of service as a member of the General Assembly; or***
3. ***Are at least age fifty-five (55) and your years of service as a member of the General Assembly plus your years of age equal at least eighty-five (85).***

Early Retirement With a Reduced Pension Benefit

The Plan also provides a reduced monthly benefit for life to qualified members. If you wish to retire early, your pension benefit will be reduced by a formula based on your age if you are at least age fifty five (55) as long as you:

1. ***Have terminated service in the General Assembly;***
2. ***Are not receiving, nor are entitled to receive, compensation from the State for work in any capacity and;***
3. ***Have achieved vested status, or ten (10) years of creditable service.***

Returning To Service in The General Assembly

If you are receiving retirement benefits under the Plan and you return to the General Assembly, your retirement benefits will stop. Upon your subsequent retirement or death, the benefit will be recalculated on an actuarial basis taking into account:

1. ***Benefit payments previously received, and***
2. ***The date of the subsequent termination of employment as a member of the General Assembly.***

Retiring from the Plan

Retirement Date

Your retirement date may not be more than six (6) months before the date your retirement application is received by the Board.

Calculating Your Benefits

Your monthly retirement benefit at age sixty-five (65) is the lesser of:

1. *Forty dollars ($40) multiplied by the total years of service as a member of the General Assembly before November 8, 1989; or*
2. *The highest consecutive three-year average annual salary at the date your service as a member of the General Assembly is terminated, divided by twelve (12).*

Here is an example for retirement at age 65:

1. $40 x 8 = $320, or
2. $10,000/12 = 2,916

Monthly Retirement Benefit Amount: $320
(the lesser of numbers one and two above)

If you are age fifty-five (55) and have ten (10) years of service in the General Assembly, your benefit would be calculated under the age sixty-five (65) formula detailed above and then multiplied by a percentage determined as follows:

1. *From seven hundred eighty (780) months, which equals sixty-five (65) years, subtract your age at the date of retirement expressed in whole months and obtain a remainder (X).*

2. a. *If the remainder (X) is less than or equal to sixty (60), multiply the remainder (X) by one-tenth percent (.1%) and obtain a product (Y).*
   b. *If the remainder (X) is greater than sixty (60), multiply five-twelfths percent (5/12%) by the difference obtained by subtracting sixty (60) from the remainder (X) and obtain a product. Add to this six percent (6%) and obtain a sum (Y).*

3. *From one hundred percent (100%), subtract the appropriate (Y). This equals the percentage used to determine the reduced monthly benefit.*

Here is an example for retirement at age 55:

1. 780 - 660 (55 years) = 120 remainder
2. 60 X 5/12% = 25%
3. 25% + 6% = 31%
4 100% - 31% = 69%

Monthly Retirement Benefit Amount:
$320 (.69) = $220.80

Disability Benefits

If you become disabled while in active service as a member of the General Assembly, you may receive a disability benefit if you:

1. *Have at least five (5) years of creditable service as a member of the General Assembly,*
2. *Have qualified for Social Security disability benefits and have furnished your Social Security Award Letter to the PERF Board, and*
3. *Have your continued disability verified by a board representative at least one (1) time each year until you reach the age of sixty-five (65).*

The disability benefit will continue as long as the disability exists. The disability benefit is computed as though you were eligible for a retirement benefit at age sixty-five (65).

Survivor Benefits

If you die while receiving benefits under the Legislators' Retirement System, your surviving spouse is entitled to receive a survivor's benefit if you had completed ten (10) years of creditable service as a member of the General Assembly, regardless of your age.

Spouse	Your surviving spouse is entitled to fifty percent (50%) of (1) the amount you were receiving at the time of death, or (2) the amount of retirement benefit you would have been entitled to receive at age fifty-five (55) or your date of death, whichever is later.
Dependent Child	If your spouse would have qualified for a benefit, but your spouse does not survive you, upon your death your dependent child is entitled to the same benefit your spouse would have received.

If your surviving spouse dies while receiving the survivor benefit and a dependent child of both the surviving spouse and the deceased participant survives, your dependent child will receive that same benefit. If there is more than one dependent child, the dependent children will share the monthly benefit equally. Each dependent child will receive this benefit until the age of eighteen (18) or during the child's mental or physical disability using disability guidelines established by the Social Security Administration, whichever period is longer.

Income Taxes

Taxation of Monthly Installments

All of the monthly benefit payable from the Defined Benefit plan is taxable income. The Plan will report to you each year on a Form 1099-R the taxable income associated with your benefits.

When applying for benefits, make sure you complete the tax withholding forms.

Tax Notice

The taxation rules are complex, so if you need additional information, you should obtain IRS Publication 575; or, if you need further assistance, you should contact your local IRS office or a tax consultant.

Notes

Index

Q

R

S

T

U

V

W

PERF
INDIANA